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# **Title: An Evaluative Framework for Mutual and Employee-owned Businesses**

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## **Abstract:**

Mutual and Employee-owned businesses (MEOBs) continue to experience a revival in the UK, be it through the growth of building societies and financial mutuals, or the success of employee-owned businesses (see Co-operatives UK 2013a; EOA 2013). In addition, government has promoted MEOBs by transferring public services into new corporate forms, citing reports of resilience and long-term success of MEOBs.

Yet despite these developments, there appears to be some ambiguity as to how to evaluate the performance of MEOBs. The lack of a coherent framework that takes the values, principles and structures into account when assessing outputs and outcomes results in a narrow understanding of MEOB performance, often focused on quantitative measures irrespective of the values and principles held by these types of organisations, and indeed their purpose.

In an effort to advance such work, this paper seeks to outline a framework to evaluate mutual and employee-owned businesses taking account of a variety of dimensions that affect how MEOBs do business, and the outcomes they produce, to broaden the idea of performance by joining up values and principles that are at the centre of the mutual model with the outputs and outcomes that are being created.

**Key words: Mutuals, Employee-ownership, Framework, Performance, Evaluation**

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## Introduction

Across the political spectrum and society in the UK there is a growing interest in mutuals and employee-owned businesses (or MEOBs)<sup>1</sup>. Civil society, particularly in responding to the 2008 financial crisis and the subsequent economic recession that eroded trust in mainstream business, has been vocal in seeking greater diversity in the economy (Co-operatives UK 2013b; Leadbeater & Christie 1999; Julian 2013; Mutuo 2013). Banks specifically have been at the heart of this discussion (Butzbach 2014; ECCR 2011; NEF 2013) – see, for example, campaigns such as ‘MoveYourMoney’<sup>2</sup> which encourage us to shift to alternative, often mutual or cooperatively owned, providers of banking services. Political interests have recognised the importance of balancing the short-term business interests often exhibited by shareholder owned PLCs with the need for long-term oriented economic activity. In addition, having a diverse set of business forms has been found to have a positive influence on economic stability (Haldane and May 2011; Goodhart and Wagner 2012; Llewellyn and Michie 2010) and sustainable economic growth (Co-operatives UK 2014a; Sadler & Goyder 2013). The force of these arguments is reflected in a range of measures to grow alternative business forms that were included in the previous government’s *Coalition Paper* (HM Government 2010: 29).

The focus on MEOBs in this paper reflects these ambitions to strengthen alternative forms of business which, at least to the non-expert, appear to have certain commonalities. From the government’s perspective, it makes sense to group these types of alternative business together for practical purposes and to communicate alternative approaches to business (see for example LGG 2011). Indeed definitions of cooperatives, mutuals and employee-owned business overlap in some areas: a) mutuals and cooperatives can be employee-owned and b) if the words ‘members’ are replaced with ‘employee’, definitions of mutuality would be akin to the discussions of employee-ownership provided by the EOA (2013). In addition, the established cooperative principles (ICA 2014) are relevant in other MEOBs, including employee-owned businesses, social enterprises and other forms of collective ownership models: Voluntary and Open Membership, Democratic Member control, Member Economic Participation, Autonomy and Independence, Education, Training and Information, Co-operation among Co-operatives, and Concern for Community. Hence it is not surprising to see that key publications of the sector often make reference to cooperatives, mutual and employee-owned businesses in the same publication, for example the Co-operatives UK (2014a) includes John Lewis Partnership in *The UK co-operative 100* list.

At first glance, this renewed interest in cooperatives (COs), mutual businesses (MBs) and employee-ownership (EO) has had positive results: MBs and COs had a combined turnover of £115bn in 2013, up 26% compared to 2008 (£84bn) and employ almost one million people (Mutuo 2013); the number of COs has grown from 4,820 in 2008 to 6,323 in 2013 (Co-operatives UK 2013a; 2014a); and EO companies now account for 3% of GDP in the UK, with ambitions to grow its share of the market to 10% by 2020 (EOA 2013). This demand for new types of economic actors is further underlined by the rise of social entrepreneurship across the UK, especially in the most deprived communities that are underserved by mainstream businesses (Social Enterprise UK 2013).

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<sup>1</sup> Following Johnston Birchall (2010, p.4), in this paper ‘mutual’ refers to a member-owned enterprise in which ownership and control resides in members of two (or more) key stakeholder groups, namely workers and consumers/service users, and whose benefits go largely to these members.

<sup>2</sup> For additional information see: <http://moveyourmoney.org.uk/>

However, there is also some evidence that not all is well, despite these positive developments for MEOBs. In particular, the declining diversity in the financial services sector explored by Michie and Oughton (2013, 2014) and Tischer (2013, 70) highlights the difficulties in creating and sustaining firms that are different to the mainstream. Building societies have continued a trend for consolidation by declining in number by 25% since the financial crisis of 2008, despite being regarded as 'winners' by the press and themselves. At the same time, the crisis in the Co-op Group has thrown open the question of what the underlying values and objectives of co-operative enterprise are or ought to be (The Guardian 2014; see also Hunt 2014; and Bastani, Benjamin and Coppola 2014). What constitutes good or bad performance for an enterprise that is a mutual or employee-owned and what is the underlying bottom line?

This lack of understanding of MEOB economic activity is particularly visible when it comes to evaluating the performance of MEOBs at the firm level. The rise of the PLC as the supposed *gold-standard* of corporate forms has changed the performance criteria that are used to appraise corporate performance overall largely to exclude those that are not easily quantifiable in pounds, dollars or yen. Financial figures and ratios, be it *Return on Equity* (RoE), *Net Profit*, *Leverage* and *Tier 1 Capital ratios*, are used within the firm and by external agents, including consultants, regulators and accountants to quantify company 'success'. Froud et al. (2006, 65-99) argue that this process of financialisation has changed the way in which firms strategically engage with their performance goals, encouraging a focus on the promotion of financial figures and associated narratives that are demanded by capital markets. The dominance of financial measures of performance and their usage in the specific context of evaluating corporate success in the preceding year is, alongside their apparent simplicity, further driven by regulatory demands for annual accounts (Companies House 2014) and professional standards emerging from accountancy practices.

However, financial measures lack the power fully to capture the performance of MEOBs because, unlike PLCs, MEOBs' bottom line is more diverse and their stakeholder management is more complex. Indeed, to speak of one bottom line in the context of MEOBs is confusing because more often than not they have multiple goals and employ a diversity of quantitative and qualitative measurements, some of which cannot, perhaps should not, be quantified. This is not to say that MEOBs are beyond evaluation; instead, other, more qualitative, measures can be used to illustrate the wider positive impact generated by MEOB business, for example through story telling in a case study format, especially where outcomes are content specific.

Likewise, existing performance evaluation tools for MEOBs are overwhelmingly concerned with quantifying impact, even when it is not financial in nature. For example the Co-operatives UK's (2013a) *The Co-operative Economy 2013* employs a multitude of numbers to describe the cooperative sector as a whole, highlighting diverse financial (turnover, growth, performance, etc.) and non-financial factors (membership, trust, workplace diversity, etc.). The Co-operative Group's (2014) *Sustainability Report 2013* also quantifies its impact on environment and society in aptly titled sections. Yet the ability of these to make meaningful statements about performance other than financial is limited because of the disconnect between what the organisation aims to achieve and the way in which one attempts to measure performance. Indeed, one might argue that the problems faced by the Co-operative Group are illustrative of this new financialised reality, because Co-op management focused on achieving performance targets similar to those of competitors – growth and financial returns – irrespective of the needs and wants of its key stakeholders.

Others, including Mutuo (2013) and Ecology Building Society (EBS 2014), present additional narratives in the form of case studies and story-telling; however, here any discussion of performance is context specific and, in an ideal case, should be selective to include those cases that best represent what happens at the organisational level more generally. Yet in reality, these are likely to feature more unique stories that discuss outcomes that are considered superior and particularly powerful, but that may not necessarily reflect outcomes achieved in more standard cases.

The aim of the current paper is the development of an extended evaluative framework for MEOB performance. Existing approaches that focus on outputs (financial, cultural and social metrics) are expanded by adding dimensions *specifically* relevant to making sense of performance in mutual and employee-owned businesses. These include *values* and *normative principles* that provide guidance in defining and communicating alternative organisational goals. The nature of the mutual/employee-owned organisation expressed through employee and member participation, culture and leadership must be considered when examining MEOBs because of the implications that employee and/or member participation can have on strategy. Thus, the value that is being created by MEOBs can best be measured via a number of quantitative and qualitative indicators including financial, social and cultural metrics, legitimacy and wider outcomes.

Section 2 thus contrasts ‘shareholder value’ and ‘stakeholder value’ principles to draw out the limitations of both concepts and to position the evaluative framework. Section 3 reviews and summarises existing concepts and approaches to evaluating the performance of MEOBs. These include background literatures on the impact of ownership and leadership styles, as well as employment conditions within MEOBs, before outlining concepts used to discuss financial outputs and social impact measures, such as social value. Section 4 outlines the structure, logic and different dimensions of the proposed evaluative framework, and indicates the linkages between the selected indicators. The final section discusses the implications of this new framework, and outlines a research agenda based upon it.

## **Shareholder value vis-à-vis stakeholder value**

To answer the question of why the development of a new evaluative framework for MEOBs is important, one must understand the current orthodoxy, given that doctrine of shareholder value (SHV) has been the dominant strategic influence on business practices over the past 30 years.

Ever since Friedman proclaimed that the “one and only one social responsibility of business [is] to use its resources and engage in activities designed to increase its profits” (Friedman 2007 [1970], 178), the literature on SHV has been widely discussed in the context of corporate governance, performance evaluation, and the influence of these on managers (Lazonick and O’Sullivan 2000; Bratton 2002), on operations and human resources (Becker et al 1997; Christopher and Ryals 1990), and on mergers and acquisitions (Datta and Puia 1995). Furthermore, concepts such as principal-agent theory emerged to align business behaviour with the interests of its owners through the maximisation of profits, dividends and share prices, which are measured through ratios and metrics including, amongst others, *Shareholder Value Added* (SVA), *Return on Equity* (RoE) and *Cash Flow Return on Investment* (CFROI) (Froud et al 2000). Importantly, the widespread adoption of SHV by management was not, as often proclaimed, a legal necessity or managerial obligation; it was promoted by managers and capital market actors, such as hedge funds and pension funds (Stout,

2012) who are the key beneficiaries of net income being returned to shareholders via dividends and share buy-backs (Weston and Siu 2002, 43). Thus, SHV, whilst dominant since at least the 2000s (Kraakman and Hansmann 2001), is not the only mechanism by which to measure business performance.

Nevertheless, the shareholder value narrative is a powerful one: the owners of the business must be rewarded with the maximum return on their investment, and therefore both business structure and strategic planning should be shaped by senior management who are in turn incentivised primarily to meet investor needs. See Figure 1.

Figure 1: Stylised Overview of Shareholder Value Components in Framework Format

Normative Principles	Organisation	Outputs	Legitimacy	Outcomes
Maximisation of profits	Principle-Agent induced governance			Shareholder value
Rationalisation / Downsizing				
Maximisation of firm value	Shareholder dominance	Financial metrics	Regulatory (push for deregulation)	
Short-term objectives	top-down culture	CR/CSR Reports	to shareholders only	
Distribution of profits to shareholders (and sen execs)	Strong leaders CEO/CFO			
Commoditisation of Labour				

However, the 2008 financial crisis resulted in calls for alternative forms of business to flourish alongside, if not replace, models that are driven by the SHV principle. But of course, the task of replacing or challenging the SHV doctrine is a difficult one, not least because of the multiple combinations of principles, organisational types, outputs, legitimacy and outcomes that might be used as alternatives. The stakeholder theory of the firm (Brenner 1992; Carroll 1979; Freeman 1984), the most prominent conceptualisation of an alternative business logic, only partially fulfils the role of providing a different logic. Its key premise is that businesses should refer to the needs and demands of a number of stakeholders when making operational and strategic decisions. It distinguishes between a broad and narrow stakeholder view, thus providing some guidance for which stakeholders to include in what decision for different types of businesses. The narrow definition (Mitchell et al 1997) focusses only on those considered to “bear some form of risk as a result of having invested some form of capital, human or financial, something of value, in the firm” (Clarkson 1994 in Mitchell et al. 1997, 861), i.e. shareholders, employees, suppliers and customers. The

inclusion of these stakeholders and the continuous engagement with them in terms of operational or strategic matters seems a daunting task for management. Preble (2005) illustrates the complexities that arise when adopting a stakeholder management model with promoting some sort of prioritizing mechanism.

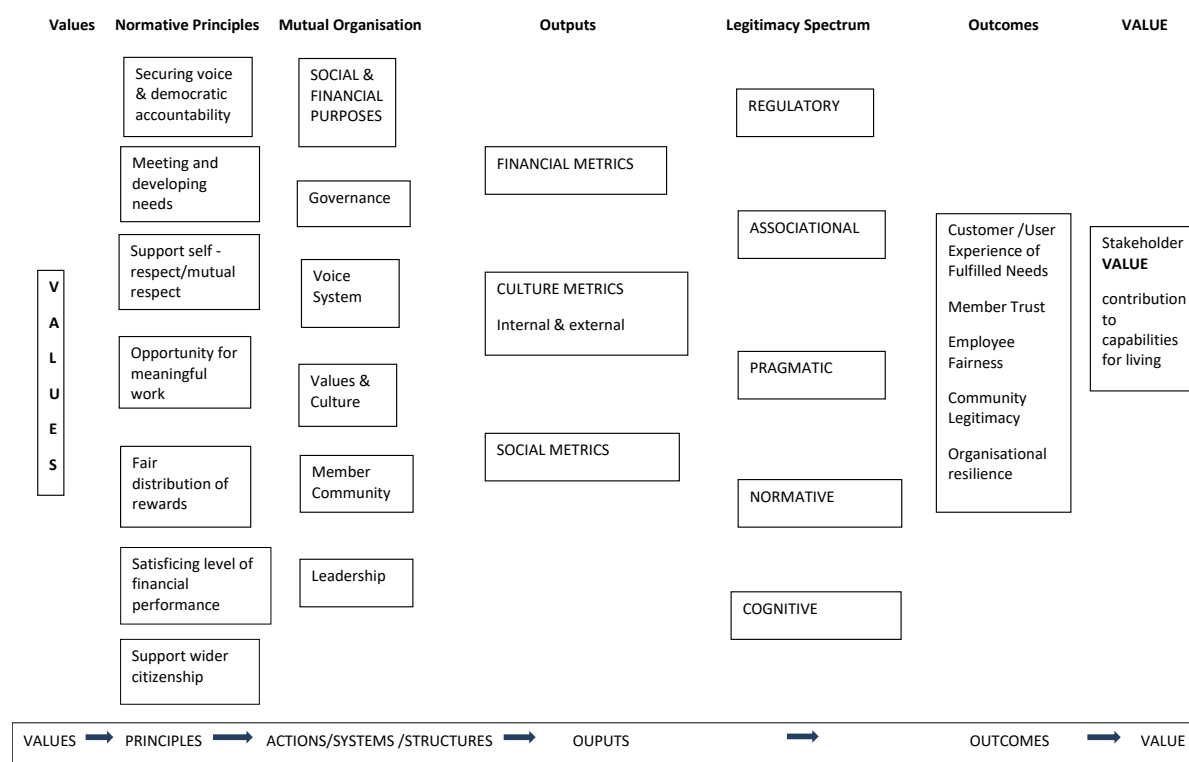
Indeed, whilst theoretically a constructive input, there has been little advance in operationalising the concept to provide a simple but convincing guide for management to engage other stakeholders in firm settings. One key reason is that none of the proposed solutions has managed to gain general acceptance in the way SHV theory did, mainly because the means by which MEOBs operate are diverse and linked to a specific set of principles that inform the structure, outcomes, legitimacy and output variables. Added to this is the lack of alternative measures of stakeholder value. Although Elkington's (1998) *triple bottom line* and Jensen's (2000) *Enlightened Value Maximisation* are attempts to provide some theoretical input, there is no agreed upon set of measures that illustrate stakeholder value in a way that is comparable to SHV. More recently, Porter and Kramer (2011) sought to address this issue through the "shared value" concept, linking business strategy and competitive advantage with the need to be economically and socially sustainable. Their idea, whilst taking into account stakeholder needs beyond the needs of shareholders, can also be seen as a strategic response to challenges to capitalism that would enable firms to avoid having to make substantial changes to how they operate their business, by enabling them to be seen to "reshape capitalism and its relationship to society" (2011, 3). Emerson's (2003) concept of *Blended Value* offers a more holistic approach to the conceptualisation of value creation to refocus attention, away from financial value creation which has been a dominant goal for business under shareholder value, towards jointly accounting for financial, social and/or environmental value. His idea is that joint creation and recognition of these types of value is not mutual exclusive but can enhance overall performance. Nicholls (2009) usefully highlights the different approaches employed to account for social and financial value. Whilst Emerson (2003) and Nicholls (2009) appropriately note that organisations create financial and social returns that can be accounted for, the concept as it stands focuses on the impact or the outputs created, largely ignoring the relevance of inputs for guiding organisational decision making processes in order to produce outcomes. Hence, when evaluating MEOB performance, it is not only the outputs generated by a firm that must be considered in value creation, but also the role of values and principles.

Hence, this paper seeks to develop a framework that allows for the evaluation of MEOBs with respect to the purpose of those firms which are currently too often ignored, and that is flexible enough to account for the different ideas about and extents to which employee and other co-owners are involved in shaping MEOBs. Doing so is important, because it makes little sense to apply standard efficiency and profitability measures to a firm that seeks to operate on a not-for-profit basis or whose prime objective is to offer secure employment conditions over the long-term. The framework pursues the goal of understanding outcomes and outputs in relation to the principles and aims that guide an organisation and that are, therefore, reflected in its structure and logics. This approach will enable a clearer picture to be developed of the type of performance measurement and indicators that are most appropriate to a specific firm, type of firm, or sector.

In this light, the framework proposed in this paper (Figure 2) examines a series of dimensions to contextualise performance with reference to the values as an input, and the value created as an outcome measure. These include *normative principles, the organisational structure, outputs and*

*outcomes* (including an assessment of legitimacy to key stakeholders). Instead of proposing something entirely new, the ambition is to synthesise existing research within a framework which sets out the linkages between them. The following section thus outlines the key academic and non-academic approaches to evaluating performance in MEOBs.

Figure 2: An Evaluative Framework for Mutual and Employee-owned Businesses



## Developments in Evaluating Mutual and Employee-owned Businesses

Over the past decade, increasing attention has been paid to measuring performance in mutual and employee-owned businesses, centred on the various relationships between organizational structure (mutual and employee-owned), practices (member/employee participation) and outcomes (profitability, job satisfaction and mutual benefits) discussed below. Yet, it is particularly in the post-2008 crisis period that these ideas have been used to generate analytical frameworks aimed at including less obvious principles and processes that incorporate mutual values. Essentially, the aim is to link structure, processes, cultures and outcomes in a framework that facilitates the assessment of quantitative and qualitative aspects of mutual performance *together*. Measuring mutual performance requires the ability to measure each of the component indicators that performance.

To accomplish this, the proposed evaluative framework incorporates and builds on previous research into measuring mutuality by Davies and Michie (2013) and the mutual scorecard developed by the Police Mutual (2014); along with the work on performance in employee owned business by Michie et al (2002), Matrix Evidence (2010), and the Nuttall review of Employee Ownership (2012). Interviews have been conducted with senior managers and executives from 15 MEOBs reflecting different forms of ownership and sectors, including cooperatively and employee-owned



retailers/wholesalers, as well as financial, community and healthcare mutuals, to discuss and review the content and logic that informs the framework. Interviews were semi-structured and open-ended to first explore how respondent organisations currently approached performance evaluation and to then critically reflect upon the features, structures and flow of the proposed framework.

Beyond this, the framework seeks to draw attention to the interactions and interdependencies amongst the various factors, with for example the principles and cultural values influencing operations and decision-making, and ultimately outcomes and value creation.

### *Ownership, productivity and performance in mutual and employee-owned firms*

The relationship between ownership, productivity and performance has been extensively studied for employee-owned business, particularly in the US where over 10% of the workforce participates in employee-ownership (Kruse 2002). As summarised by Matrix Evidence (2010, 6) and in the Nuttall Review (2012, 22-26), this research has shown that employee-owned firm financial performance (measured through profitability) is at least as good as for other businesses; productivity gains exist, especially where employees participate in management and decision-making (see Kramer 2010; Michie et al 2002); and such firms tend to be stable in times of economic adversity, and are often innovative.

There has been less research into the effects on performance and productivity of mutual ownership other than employee-ownership. In part this is because mutuality differs substantially across MEOB organisations in terms of the member-base. Moreover, because mutuals are not necessarily subjected to economic outcome performance measures, often where social or community outcomes are dominant (housing mutuals, healthcare mutuals etc.), tracking and comparing profitability and productivity indicators may not be particularly meaningful. That said, mutuals and cooperatives must perform and be (financially) sustainable. Furthermore, the importance of economic performance indicators differs across sectors: financial services mutuals for example must pay attention to their economic performance because they need to earn sufficient profit to finance capital requirements and growth, and to absorb market risks (as illustrated by KPMG's annual publication of key statistical data on building societies, KPMG 2013).

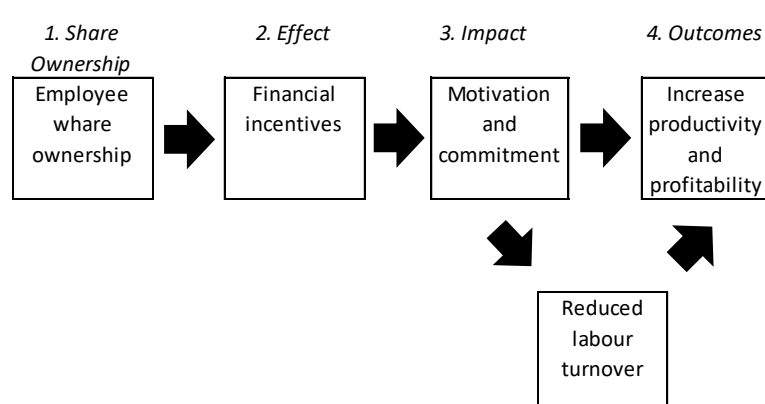
Mutuals thus tend to rely on a range of key performance indicators through scorecards (Kaplan and Norton 1992), triple bottom line accounting, or the use of other measures such as *Cost-benefit Analysis* (CBA), *Basic Efficiency Resource* (BER), or *Social Return on Investment* (SROI) (Davies and Michie 2013, 11). SROI places "a financial value on an organisation's wider impact" making it attractive since financial outputs are more easily comparable than more traditional social accounting approaches (The SROI Network 2012); thus SROI is "an analytic tool for measuring and accounting for a much broader concept of value ... how value is created or destroyed. For example, Nef research on the value created by a training programme for ex-offenders revealed that for every £1 invested, £10.50 of social value was created" (Wood and Leighton 2010, 19).

### *Participation, work and leadership cultures, and performance in MEOBs*

Despite the need to account for financial performance in mutual and employee-owned companies, research has also gone into non-financial performance indicators. These include measurements of stakeholder value (members, employees, communities etc) and mutual culture (attitudes,

behaviours and norms), Davies and Michie (2013, 3); and the overall impact of employee-ownership on employees themselves (Matrix Evidence 2010, 6). This research indicates a mostly positive impact from both customer and employee participation on employee commitment, job satisfaction, and ultimately financial performance (Michie et al 2002, Figure 3). Moreover, there is evidence that firm performance is positively affected when employee participation in firm strategic and day-to-day decision-making is meaningful; that is to say, when work has objective value and this corresponds to the worker's own subjective goals and ambitions (Yeoman 2013). These ideas have been widely adopted by MEOBs, with non-financial performance indicators featuring in annual reports as part of mutual scorecards (see Police Mutual), performance wheels (see Mid-counties Coop), or partnership reports (see John Lewis).

Figure 3: Linkages from Share Ownership to Organisational Effects, Impact on Employees, and Organisational Outcomes



Source: Michie et al (2002, 6)

Also, the cooperative movement itself is a source of information as to the values and principles that are relevant to mutual and employee-owned businesses other than cooperatives, as they have common interests in securing the “economic, social and cultural needs and aspirations” of members and employee-owners (ICA 2014). Thus *Communities and Local Government Committee* (2012) suggests that “mutuals and co-operatives are both owned by a defined group of members such as employees, service users, customers or others with an interest in the business. They have a governance structure which gives members a say in how the organisation is run and they are often run for the benefit of its members with profits retained within the business or distributed to its members”.

## Framework Components

Before describing the components of the framework (Figure 2), it is useful to introduce the structure and logic of the framework to set out the connections between components and how the framework may be used by practitioners and academics alike. This is important because the framework needs to be understood as a response to the prioritising of financial reporting in judging business

performance, as arguably happened in the case of the Co-operative Bank, leading not only to its own financial performance and governance system being questioned, but that of the Co-operative Group as a whole. In turn, the Myners Review (2014a) was questioned in relation to the traditional principles and organisation of a cooperative, not least his proposals to remove elected members, a central feature of cooperatives, from the group board (Barber et al 2014). By offering a framework that addresses these issues in a unitary way, with the organisation as a whole at the centre of analysis, the paper seeks to refocus attention on the distinct features that make MEOBs alternatives to mainstream businesses.

### *Structure and logic*

The framework presented in Figure 2 features a series of dimensions that are organised along a 'values-to-value' grid to introduce a step-wise and reflective approach of evaluating MEOBs. The structure of the framework follows a logic by which MEOB evaluation is not overly focused on its component parts, but rather offers a holistic picture of a MEOB organisation as one entity that is influenced by values and principles, which guide the MEOB's organisation and governance, to produce a set of outcomes which enhance the (financial and social) well-being of stakeholders.

The intention is to guide users through the evaluative process, ensuring that values and principles are considered at the core of the organisation, with structures and governance reflecting these mutual ideas. The framework further suggests that outcomes, outputs, legitimacy and value creation should be understood as inherently linked to the values and principles, and to the mutual nature of the organisation itself; hence they should be understood within their specific organisational context. In so doing, the framework seeks to encourage the user to be reflective when evaluating MEOB performance, in particular by considering outputs alongside the principles and the structure of the organisation (as discussed in the next section). Thus, the arrows at the bottom of the framework express a logical flow when evaluating MEOBs not dissimilar to an instruction manual; however, this is not to say that the framework may not be used in the opposite direction – for example in situations when a problem has been identified with respect to outcomes or legitimacy, and the evaluation seeks to trace back to the root(s) of this problem.

### *Connections between components*

It is important to appreciate that the components should not be considered in isolation, but rather that it is the sum of components and their relationships that inform the investigation and any evaluation. These connections may be more or less obvious. For example, employee fairness should clearly be understood as an outcome of the degree to which democratic principles, opportunities for meaningful work, rewards, and voice systems are established and operated by the organisation. Perhaps less obviously, community legitimacy should respond to the principles set out through the support of wider citizenship and community engagement via the member community by, for example, supporting local charitable causes and local businesses.

The framework also encourages reflecting on components that have been evaluated previously, or to trace-back aspects of performance, for example financial results, and how they are being influenced by the set-up of the mutual organisation and the values and principles it adheres to. For example, any consideration of value created in the context of the contributions made to the capabilities of customer, employee or other member owners requires an understanding of the

mechanisms by which this is achieved, be it for example through participation, long-term employment opportunities, or organisational resilience.

Clearly, not all components are equally relevant for all types of MEOBs. For example, a consumer cooperative may not actively focus on employee fairness. However, even if components do not appear to be directly relevant to an organisation, their being included may encourage framework users to think in different ways about the organisation in question. Thus even if employees are not members, management might indeed find it valuable to ensure that employee needs are met as doing so may benefit customers through improved service, as well as economically, through reduced absence from work.

## *Values and Principles*

Because the value proposition in MEOBs is more diverse than for shareholder-owned PLCs, it is important to identify the values and principles that underpin the mutual organisation and that, therefore, influence both the structure and value created. Values are fundamental beliefs that guide action. In an organisational setting, Enz defines values as "the beliefs held by an individual or group regarding means and ends organizations 'ought to' or 'should' identify in the running of the enterprise" (1988, 287). For Rokeach (1973), a value is 'an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.' They are the 'building blocks' of human behaviour and the bases of collective action (Stackman et al. 2000). Values shape actors' preferences for one behaviour rather than another (Rokeach 1968), and provide an interpretive framework for meaning-making (Pettigrew 1987). Hence, a values system which is judged by members to be legitimate grounds for a philosophy of organising and the system of management practices that deliver the purposes for which the organisation exists (Monks et al 2013).

Values may be drawn from a variety of sources whether personal, organisational or normative/societal. The International Co-operative Alliance (ICA) values have been drawn upon by new public service mutuals, in combination with the diversity of social values aimed at the public interest (Bozeman 2007). For example, Rochdale Boroughwide Housing, a dual constituency mutual providing affordable housing used the ICA and their public service values to identify the following mutual values of: *responsibility, equity, democracy, pioneering, openness, honesty, caring and championing* (Yeoman 2015). *Principles* are rules or norms for decision-making, and are derived from fundamental beliefs about how persons and organisations *ought* to behave and to act.

The following non-hierarchically ordered list of principles has been derived from both Yeoman's mutual values (2015) and the ICA's (2014) description of values and principles to provide the framework user with a set of components they may be able to identify as being relevant to the MEOB being analysed. As aforementioned, not all categories may be applicable, and in certain contexts there may be additional aspects to be considered, set out by the individual organisation itself, or by legislation or regulation.

*Financial satisficing*, refers to a decision-making process of finding a level of financial performance that is deemed acceptable by the organisation. While it is generally not the aim of a MEOB to maximise profit as a shareholder-owned firm would seek to do, performance cannot be detached

from how the enterprise is doing financially. The enterprise must at least be solvent financially and should ordinarily aim to make a reasonable trading surplus.

*General good practice.* Beyond the 'bottom line' there are certain values which one would expect any economic enterprise, including a MEOB, to affirm. These include, for example, equality of opportunity, due process and recognition of trade unions.

*Democracy and accountability.* A key aim of a MEOB is that it should offer customer, employee or other member-owners to participate with the opportunity to engage in democratic decision-making. Key decisions and decision-makers must be accountable, in direct and clear ways, to the workforce.

*Fair distribution.* A key aim of a MEOB should be to achieve a distribution of reward within the enterprise that is fair. This does not rule out differences in rewards, but fairness does require that there be limits on the ratio of top pay to that of the lowest paid workers. Such ratios should be determined through the democratic procedures internal to the enterprise.

*Meaningful work.* Meaningful work is work that tracks an objective good, for example job satisfaction, and which is also seen as valuable by the worker themselves. Such work unites an object or purpose of independent value to the affective engagement of the worker (Yeoman 2014a; 2014b). MEOBs function well when decision-making structures offer workers the opportunity to construct their work so that it has meaning. (Again, the democratic structures of the enterprise are relevant here.)

*Mutual respect and recognition of needs.* All MEOB enterprises typically affirm the worth of workers and foster relations of mutual respect. But MEOBs should be particularly sensitive to the whole person and discourage a view of others that reduces them to their instrumental utility to a productive enterprise. (This might be evident, for example, in the way a co-op or mutual approaches a health issue that a worker has). Related to this, MEOBs should recognise and affirm the needs of producers, consumers and service users. The cooperative ethos is grounded in an acceptance of needs as part of common humanity.

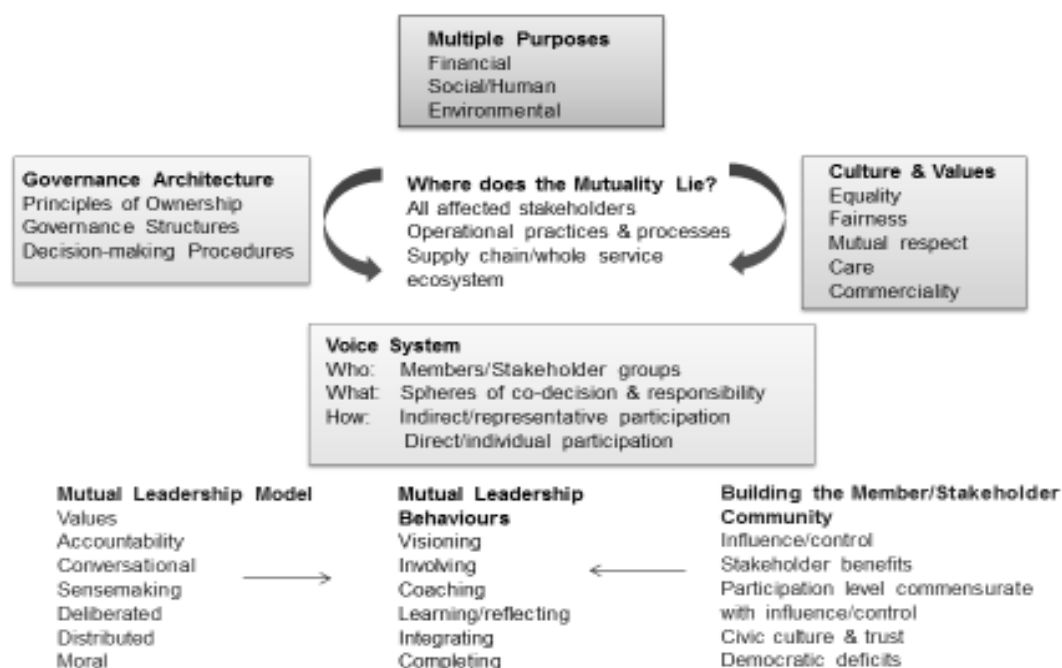
*Contribution to a wider social good.* MEOBs frequently see it as part of their mission to pursue their values in the wider social world, not just within the operation of the enterprise itself. So another aspect of good performance concerns how effectively the mutual or employee-owned enterprise advances its values in the wider social world. A related concern is with the ethical integrity of the enterprise: that it is able to function in the world in a way that is consistent with its values and does not feel pressured to compromise them in its business operations.

### *Design Elements of Mutual Organisations*

In order to ensure that these values and principles are enacted within the MEOB organisation, the organisational architecture, particularly in the areas of governance, leadership and participation, must be shaped accordingly. Because MEOBs aim to achieve somewhat different goals reflecting the range of services they offer to a number of stakeholders, the specific organisational architecture may be different across MEOBs; however, the absence of these principles from the organisational architecture should raise concerns about such a MEOB. For example, as most MEOBs subscribe to

the idea that customer, employee or other member-owners are being given a democratic voice, the absence of an effective voice system, such as elections or other forms of participation in decision-making, would flag potential shortcomings that may have repercussions for the overall performance of such an organisation. An ideal form of mutual organisation will be characterised by an integrated system of management practices, such as: the precondition of status equality, given by being a co-owner; the open availability to all of relevant knowledge and information; deliberation using reasons that everyone can understand; and a voting procedure which is perceived to be fair and inclusive (Kaarsemaker & Poutsma 2006). The key design features for the creation of management practices are: purpose, governance, culture/values, voice system, work design, leadership and member community (Figure 4).

Figure 4: Design Elements for Mutual Organisation



Source: Yeoman 2015

A well-run MEOB would feature an organisational architecture that institutes the following features:

*Social and financial purposes.* As in other firms, the objectives of a MEOB organisation should be clearly communicated. Whilst some MEOBs seek to be financially viable and focus attention on social outcomes, others may clearly articulate financial performance goals, in terms of growth, profit or *Return on Capital Employed*. Either way, the intentions are often disclosed in mission statements and communicated through annual reports to member-owners.

*Governance.* The governance structure of a MEOB should respond to values and principles, for example, democratic participation and mutual support. The governance system may be characterised by reconfigured relationships between internal and external stakeholders, democratic conversations, improved information flows, adaptive and innovative capabilities, high levels of trust,

accountability and legitimacy, and being outcome (rather than output) focused (Yeoman 2013, 1). Some MEOBs may have additional boards to represent member interests, overseeing executive (strategic) management decisions. Voting rights awarded to members ensure that representatives and board members suitably reflect the member interests. However, board composition is also affected by regulatory requirements, particularly in financial mutuals.

*Voice System.* The ability of members and employees to voice their needs and wants is an essential characteristic of democratically run MEOBs. The voice system consists of at least two aspects: 1) the level of voice given to members – i.e. how much control can they exercise directly or indirectly; 2) the mechanism by which voice is secured – i.e. through representation at board level or direct voting on issues brought forward. Hirschman (1970) describes voice as ‘any attempt at all to change rather than to escape from an objectionable state of affairs’. In more conventional terms, Lavelle et al. (2010) define voice as ‘any type of mechanism, structure or practice which provides employees with an opportunity to express an opinion or participate in decision-making within their organisation’. However, it is important to note that, conceptually, voice goes beyond having a say, since having a say does not automatically imply influence. For example, Heller (2003) distinguishes between having a share in participation (as taking part in an activity) and having a share in power (as having a degree of influence over an activity). Wegge et al (2010) identify the importance of ‘structurally anchored organisational democracy’ including ‘broad-based and institutionalised employee influence processes that are not *ad hoc* or occasional in nature’ (Wegge et al, 2010, 162). Establishing the basis for a stable system of organisational democracy implies moving away from the leader-subordinate dyad to ‘the constructive participation of all organisational members in the creation and implementation of organisational values, norms and rules’ (Verdofer et al 2012). This requires a voice system capable of combining democratic authorisation at the level of the organisation with participatory practices at the level of the task and individual (Yeoman 2014a; cf. McMahon, 1994). Thus, a complete voice system consistent with mutual values and principles requires both indirect representation and direct participatory mechanisms. This demands multiple channels for voice to be expressed, including direct individual participation, such as team meetings and strategy days, and indirect collective representation, such as employee representatives on the board and a trade union presence (Pyman et al 2006).

*Work culture and work design.* The work environment is another important feature of MEOBs expressed through a working culture that should enable employees to engage in meaningful and self-directed work. Likewise, participation in work-related decisions and autonomy improve worker health, satisfaction and commitment, as well as performance. Reference to ‘co-workers’ can signal meaningful participation of employees in governance and decision-making, especially where there is an appreciative, cooperative, communicative and trusting work environment acknowledging the employee community as well as the individual employee. Work design plays a role in a sense of personal value and positive identity formation via an experience of work being meaningful and worthwhile. In their meta-review of the work design literature, Humphrey et al (2007) find that ‘experienced meaningfulness is the best mediator of the relationships between motivational characteristics and work outcomes’ where ‘[t]hree motivational characteristics (skill variety, task identity, and task significance) have been hypothesized to impact work outcomes through experienced meaningfulness’ (Hackman and Oldham 1976, quoted in Humphrey et al 2007, 1346). Salzinger (1991), for example, finds that, in one cooperative of domestic services, the work was defined as low skilled and temporary, resulting in no training for staff; in a second cooperative, the

work was organised in professional teams which offered training and participation in decisions: 'The result was that members of the first co-op came to regard domestic work as unimportant, whereas members of the second regarded it as an inherently skilled occupation, deserving of respect, fair treatment and decent pay' (Ashforth and Kreiner 1999, 431). A high performance work system (HPWS) for a mutual organisation will include work design that is judged to be of mutual advantage. Organisations risk losing legitimacy when they implement HPWS in a manner which secures the discretionary effort of workers to the exclusive benefit of managers and shareholders. De-legitimised organisations no longer work in the interests of all their members, and workers may come to feel that their discretionary effort has been expropriated without reference to their welfare, their interest in fairness or their need for positive self-identity formation. Such a state of affairs damages the sense of fairness and trust which mediates psychological ownership, potentially undermining organisational resilience and long term performance (Yeoman 2013).

**Member community.** The member community (single or multi-constituency) is the key distinguishing feature of MEOBs, following two principles that guide member engagement strategy: democratic control and member benefits. For membership to become meaningful, or an effective means for governance, a variety of aspects should be considered such as shared values, sense of community, mutual support, age, size and spread of the MEOB and strategy. A lack of common purpose and shared goals can equally cause frictions between members or employee-owners and the organisation. For example, public sector staff have been vocal about mutualisation of public services being forced upon members without prior consultation, prompting the best-practice guidance published by Co-operatives UK and TUC (2013), indicating how members should be engaged in organisational decision making. These principles, and in particular the degree to which members can influence business decision making are crucial factors in understanding performance of MEOBs, as they reflect on the embodiment of mutuality of that organisation. Differences range from organisations in which voting rights are transferred to the board via the introduction of proxy votes (Tischer 2013, 200-202), to those that have employee decision making and member voice at the core of how the business operates, for example at Suma Wholefoods.

**Leadership.** Mutual organisations require an appropriate leadership model, combining leadership behaviours in keeping with mutual values and principles, and managerial competence in creating and sustaining the policies, practices and procedures relevant to enacting the mutual organisational form. This demands attention to the content, mode and basis of leadership. With respect to the content of leadership, responsible or virtuous leadership provides the behaviours and orientations that those who lead are expected to model. Furthermore, in a mutual organisation where organisational practices are designed to integrate multiple stakeholders and conciliate diverse perspectives, leaders need to exercise wisdom and judgment (Taylor et al 2014), in addition to possessing the relevant skills and competences. In a fully realised mutual organisation, the mode of leadership is based upon distributed leadership (Fitzsimons et al, 2011) rather than the singular, heroic leader (Pearce and Conger 2003). The exercise of voice requires leadership capabilities to be widely disseminated through the organisation with the result that leaders emerge and are appointed not just according to formal status but also according to the needs of the situation. In their study of OP-Pohjola Group, a Finnish financial group containing 198 local member co-operative banks, Saila et al (2012) identified the following characteristics by which shared leadership could be recognised: recognised in the quality of interactions; evaluated by how well the problem was solved together; enacted in how all individuals contributed to the process of leadership; understood as a joint effort



of interdependent individuals, including high levels of communication; and aimed at mutual benefit and the common good. Finally, the basis of leadership is deliberated authority (Alvesson and Spicer 2013), where coordinative power is legitimated through democratic representation. Extensive member involvement in organisational leadership, with a 'division of leadership tasks between different people at several levels of the organization', is a high performance work practice (Wegge et al, 2010: 154).

## Outputs

This component of the framework refers to financial, cultural and social indicators often used in a standardised and quantified fashion to express performance and enable comparison with peers. These measures, in many respects can be located in annual reviews and CSR reports published by MEOBs; thus, they clearly need to feature in any evaluative framework for mutual businesses. Further sources of output measures are sector or industry publications on MEOBs, including the Co-operative UK's *Co-operative Economy*, the ICA's *World Co-operative Monitor* and KPMG's *Building Societies Database*. Indicators chosen by MEOBs in their own publications may differ because of sector-specific standards. However, this framework advocates that these indicators be understood within the context set out regarding the previous components.

*Financial metrics.* Like most businesses, MEOBs report on financial performance using standard indicators including ROCE, turnover, profits, net debt, gearing ratio, working capital etc (Co-operatives UK 2013c, 16). However, the important difference from shareholder-owned businesses lies in the use of those ratios to project future earning developments (Davies and Michie 2013, 4). Furthermore, for building societies, financial metrics can be found in KPMG's annual building societies database (KPMG 2013<sup>3</sup>) giving an in-depth account of their financial health and organised according to different interests with, for example, profitability only featuring in the second table.

*Cultural metrics.* Because managers and stakeholders are inescapably immersed in culture, there is no easily identifiable standpoint from which they can disentangle themselves from the influence of culture, and therefore measure its effects. However, the vital connection between values, principles, activities and outcomes suggests that the philosophy of mutual organisation when enacted through an appropriate system of management practices demands attentiveness to both a sense of fairness and a sense of trust. For both employees and members, fairness and trust legitimates the organisation's undertakings in the use of member resources in order to pursue the organisation's objects. Together, fairness and trust form the basis for a just culture which encourages people to use their entitlement to voice to further the interests of the organisation and its stakeholders.

*Social metrics.* Since the rise of CSR and reporting standards set out by global initiatives, for example GRI4, social metrics are commonly used by all business, albeit at a basic level. Within the MEOB setting, social indicators, like those proposed by Co-operatives UK (2014b), suggest a more meaningful and in-depth engagement with the impact of the MEOB operation on a variety of

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<http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Market%20Sector/Financial%20Services/building-societies-database-2013.pdf>

internal and external stakeholders, especially employees, other members, and the communities they operate for and in (see Figure 5).

Table 1: Co-operative Performance Indicators (non-financial)

Internal	External
Member economic involvement	Customer satisfaction
Member democratic participation	Investment in community and co-operative initiatives
Participation of employees and members in training and education	Consideration of ethical issues in procurement and investment decisions
Staff injury and absentee rates	Net carbon dioxide emission arising from operations

Source: Co-operatives UK 2014b

## Legitimacy

Legitimacy plays a crucial role in realising the value of how MEOBs conform to stakeholder expectations, in particular those of member-owners (Dart 2004). In other words, organisations organise affairs to be seen to act in accordance with stakeholder expectations. In for-profit businesses, this is clearly demonstrated through the idea of maximising shareholder value in which management decisions are driven by the need to deliver shareholders high rates of return on their investments. Because stakeholders are likely to have a range of expectations, for example, a positive impact on stakeholder communities or democratic participation, that emerge alongside the need for financial viability, the ability clearly to illustrate legitimate action is vital for MEOBs to secure support from member-owners, as well as from society at large. In doing so, legitimacy provides a powerful tool to understand stakeholder perspectives and expectations – the more legitimate you want to be seen, the more you need to show legitimate behaviour.

Following Suchman's (1995) definition, organisations are legitimated if "the actions of an entity are proper, appropriate, or values and beliefs desirable within a socially constructed set of norms". In other words, the organisation's (perceived) actions meet the expectations set by key stakeholders, both in respect to norms and regulation. To understand the different types of legitimacy, it makes sense to follow a legitimacy typology as, for example, offered by Nicholls (2010). Following a typology, different types of legitimate behaviour can be addressed and put into context reflecting the MEOB's interest in being seen as a legitimate actor.

*Regulatory* legitimacy refers to compliance with relevant legal requirements and conventions. They are legally constituted and enforced by regulators within specific national boundaries, thus only firms that break the law are not legitimised by this type and thus regulatory legitimacy may be thought of as the base level. Other organisations gain legitimacy by associating with already established organisations, for example, governments or corporations. Others may gain *associational* legitimacy through building connections with key people, for example, the Duchy of Cornwall brand 'Duchy' is associated with Prince Charles who is well known for his environmentalism. *Associational* legitimacy is generally established through some form of alliance between a set of organisations transferring reputation and customer trust from established actors to new entrants.

Within the MEOB sphere, *pragmatic*, *normative*, and *cognitive* legitimacy may be more suited to evaluating MEOB performance, because they relate to the members' interests. The weakest level of legitimacy that may be MEOB specific is at the *pragmatic* level. Here the organisation would seek to meet the direct needs and interests of specific stakeholders involved in making the judgement: in a PLC, this would be addressing shareholders' needs, in mutual organisations, this would be a focus on members' personal expectations. *Normative* legitimacy goes beyond only fulfilling the need of the one key-stakeholder/owner and extends the matter to other stakeholders who set expectations as to the kind of behaviour they expect of the MEOB with *other* stakeholder groups, as, for example, set out in the normative principles at the base of the framework.

*Cognitive* legitimacy links to the worldview of key stakeholders; i.e. how do they understand the world around them? An organization accrues cognitive legitimacy with stakeholders if it is inconceivable that their worldview would be complete without it being present: for example, Oxfam may be considered to be legitimised cognitively because it is part of the social fabric of the development sector in the UK. Within MEOBs, it may be smaller, specialist organisations that meet this level of legitimacy, for example Unicorn Groceries (a grocery store specialising in vegan food with its own food growing business) or Ecology Building Society (only extending mortgages to environmentally friendly builds or social housing); however, looking at the perception of society at large, MEOBs such as John Lewis may also be considered to be cognitively legitimised because of their distinctiveness within the UK economy and their longevity. However, relatively few organisations manage to achieve this state of legitimacy.

### *Outcomes and stakeholder value*

This paper suggests that a well-performing MEOB generates outcomes that combined could be considered to be of value to key stakeholders. Again, whilst some criteria are more relevant in certain types of organisations, for example employee fairness should be a strong feature of employee-owned businesses, it should not be excluded from the mutual and cooperative context, because employees are a key stakeholder and should be treated fairly and with respect.

*Customer experience of fulfilled needs.* Whilst customer satisfaction is a goal of many organisations, MEOBs should assess services offered not only in terms of their economic performance (i.e. do they generate a profit) but also in terms of the wider impact on society. For example, the decision of the Co-operative Bank to no longer offer accounts to people undergoing personal bankruptcy was guided by consideration of financial impact on the group results overriding the significant negative impact this has on the financially excluded. Fulfilling customer needs should be a long-term objective of the firm, and hence feature strongly in performance discussions.

*Member trust.* Of obvious importance to MEOBs, member trust is an indicator of the democratic performance often linked to elections at AGMs. Many building societies pride themselves on high approval rates on voting matters, yet this may be linked to voting processes rather than actual approval. Likewise, high approval rates in member trust may draw an overly positive picture when compared to PLC businesses. For example, Ecology Building Society seeks to have as many members present at AGMs as possible by linking it to a social event where interested members are encouraged to exchange ideas and experiences. This leads to higher than average member physical

presence and voting turnout<sup>4</sup> than, for example, at Nationwide, which has a large number of members who may identify less with the organisation; and with the added complexity of Nationwide being a large business, members may find it more difficult to understand the business developments.

*Employee Fairness.* Procedural and distributive fairness are vital elements of organisational justice and establishing a just culture. Chi and Han (2008) define distributive justice as ‘the perceived fairness of the organizational allocation of resources’ (Folger and Cropanzano 1998; Witt et al. 2001), and procedural justice as ‘the perceived fairness of the procedure used to make decisions’ (Folger and Cropanzano 1998; Korsgaard et al. 1995), where ‘employees perceive aspects related to procedural justice when they experience opportunities to influence decisions, to express their voices, or to possess accurate information used for making decisions’ (Price et al. 2006; Thibaut and Walker 1975). Tyler and Blader (2003) argue that procedural fairness is more important to people than distributive justice because it is related to a sense of having been treated with respect. In distributive justice, people are satisfied when they perceive outcomes to have been divided fairly, even if this involves them giving up resources and accepting less (ibid: 350). Procedural justice has both a decision-making and a value-expressive function. The ‘value-expressive worth’ of procedural justice lies in the interactional dimensions of being treated with politeness and dignity by those in positions of authority which, in turn, stimulates commitment and cooperation (ibid, 351). This intersubjective dimension of procedural justice is valued by people, independent of whether they have an influence over decision-making. People rely upon positive inter-relations to provide the respect and esteem recognition (Honneth 1995) out of which they construct positive self-identities: ‘the central reason that people engage themselves in groups is because they use the feedback they receive from these groups to create and maintain their identities’ (Tyler and Blader 2003, 353).

*Community legitimacy.* As the involvement in local communities is one key aspect of MEOBs as reflecting either the commonly shared interests of member-owners, or are specific to a particular region or locality the MEOB operates in. For example, a mutual with a mandate to enrich the environment would likely be funding projects that support that aim, and one based in the north of England would be more likely to engage with the region than fund projects in London. These types of interaction can vary significantly. Larger MEOBs, for example Nationwide and John Lewis might mostly interact through charitable donations, yet might also see their presence as something that benefits communities. John Lewis, for example, highlights how it seeks to support regeneration areas by providing local jobs and enriching the local built environment. Smaller building societies, credit unions and employee-owned businesses may support more local causes. Darlington Building Society allocates annual budgets to branches with staff making decisions as to how the money is best spent. As with legitimacy discussed previously one key objective is to link relevant expectations of organisation and communities.

*Organisational resilience.* As suggested by the Communities and Local Government Committee (2012), MEOBs tend to be relatively resilient to changes in the wider economic climate. Yet for this to be the case mutual and employee-owned businesses must be well designed and, for example, members and employees must be committed to the organisation’s long-term success. A lack of member interest in the firm, or a short term outlook adopted by the organisation may be a sign that

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<sup>4</sup> See <http://www.ecology.co.uk/about/meetings/> for further details

things might go wrong. For example, a spike in profits, especially when linked to the sale of long-term assets could illustrate that key stakeholder interests are no longer aligned with the way the MEOB conducts its business.

## Concluding remarks

The evaluative framework for measuring MEOB performance aims to encourage researchers to examine the relationships between the different components of the model. Such research into the relationship between the components of this framework has been limited to date. Whilst work has been done on linking, for example, financial performance and mutual ownership, or employee participation in decision-making and impact on job satisfaction, less obvious potential relationships such as the link between social value and member-participation in decision-making, or between social performance indicators and leadership styles, have not been much researched. The framework presented in this paper allows for a multitude of possible combinations between a series of performance indicators. This may underline why MEOB performance differs not only across, but also within the different types of business forms, with for example some financial mutuals producing strong financial outputs whilst others perform worse financially yet have stronger social performance indicators.

In particular, the framework seeks to draw attention to the relationship between inputs and outputs of a firm which has not featured in other holistic conceptualisations, such as Emerson's *Blended Value*. In making these connections more visible, we incorporate values and principles into the assessment of MEOB performance, thereby illuminating which structural features of MEOBs must be considered when accounting for the impact created. Moreover, the hope is that the framework will encourage the empirical examination of the relationships between multiple components in various possible combinations in particular by incorporating values and principles in existing output oriented accounting and evaluation tools discussed by Nicholls (2009): for example, the way in which principles are implemented (or not) linked with member participation in governance and a reflective leadership style may be correlated with financial, social and culture performance measures, thus affecting overall stakeholder value generation. In so doing, future research could establish a series of best-practice scenarios that could shape not only how MEOBs are shaped and conduct their business, but may equally have useful implications for policy-making and reform. In particular, understanding the relationships between framework components could help resources to be targeted more efficiently. Likewise, it may encourage regulators to acknowledge, say, behavioural differences between MEOBs and PLCs leading to adjustments in regulatory scrutiny. This may be of particular relevance to the regulation of financial mutuals and building societies, who are, for regulatory purposes, too often treated like PLCs.

While the aim of this paper is to present an evaluative framework for mutual and employee-owned business, there are certain limitations worth considering. First, whilst aiming to include the key aspects for evaluating mutual and employee-owned business, some information may be incomplete. In this respect, the framework should be understood as indicating the kind of factors that may be worthwhile considering when evaluating mutual performance. Second, the components depicted in the framework are arranged in such a way that it allows readers to follow a logical flow. Nonetheless, by no means does this infer causal mechanisms; indeed, individual aspects discussed are likely to have repercussions for the understanding of MEOB performance elsewhere. For example, a poorly

integrated voice system may have a negative influence on legitimacy, but may also require the questioning of the values and principles that the organisation is supposed to follow. Thus, the individual aspects should be understood within the context of the framework. Third, the framework includes both conceptual and empirical aspects. However, the inclusion of both aspects was considered crucial in enabling the conceptualisation of MEOBs in a holistic way. Fourth, the framework is predominantly informed by the British context. However, at numerous points, reference has been made to international experience, for example, the Finish co-operative banking sector *OP* or employee-ownership in the US, and highlighting the potential for the framework to be usefully developed for different national regulatory environments.

Overall, the evaluative framework proposed in this paper should be regarded as a step towards developing a more inclusive performance measurement framework to take into account non-financial performance indicators. Indeed, whilst some MEOBs are already moving towards the inclusion of non-financial indicators including membership involvement, and the social and environmental impact of their operations, the link to the organisation's values and principles is too often left unexplored. As a result, external agents may ignore such measures when assessing performance in MEOBs, as these may appear to be of marginal importance compared to financial indicators. To challenge this idea, it is crucial that MEOBs ensure that their values and principles of operations are clearly reflected in their own performance evaluations at centre-stage. Thus, instead of beginning the discussion of performance with a review of financial figures, MEOBs should begin the discussion of results by stating their aims and objectives, and then seek to show clearly if, how and to what extent they managed to achieve these wider sets of objectives. It is in this sense that the proposed framework set out here should be seen as a guide to creating an appropriately holistic approach to evaluating the performance of mutual and employee-owned businesses.

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